

FACT SHEET

ENERGY SELF-SUFFICIENCY 2006 INITIATIVES

The Lingle-Aiona Administration is proposing a bold and strategic energy plan that uses market-based initiatives to develop reliable, cost effective self-reliant energy. This plan identifies near-term, mid-term and long-term goals to increase our energy efficiency, spur the development of homegrown renewable energy sources, and put Hawai'i at the leading edge of new energy technologies, most notably hydrogen fuel development and deployment.

Encourage Energy Conservation

To encourage consumers to use energy efficient appliances, the Administration is proposing a new net income tax credit that could be claimed for Energy Star appliances. These include air conditioners, dishwashers, refrigerators, freezers, clothes washers, and dehumidifiers that meet the energy guidelines established by the federal Environmental Protection Agency.

- The amount of the credit would be 10% of the retail purchase price, up to a maximum of \$1,500, starting in tax year 2006.

The Public Utilities Commission is being encouraged to establish pricing mechanisms that encourage consumers to adjust their use of electrical power to lower usage periods. These are sometimes referred to as advanced pricing tariffs. They provide a portfolio of pricing options, such as time of use rates, that charge higher rates for electricity in the peak hours of 5:00 to 9:00 p.m.

- Other states which have adopted advanced pricing tariffs have experienced improved energy conservation. For example, Arkansas says they saw decreases of 11% to 26%, Connecticut indicated they showed 13% improvement, and Los Angeles measured a decrease of 7% in electrical usage under these types of pricing arrangements.

Several proposals encourage the use of energy efficient designs for new structures and retrofits of existing structures. For example, State buildings will be asked to abide by the Leadership in Energy and Environmental Design (LEED) Silver Standards when constructing new facilities. These guidelines will also apply to projects supported through State grants.

- The State will work closely with the counties in upgrading the building codes to incorporate LEED principles into these codes.

To further spur energy conservation, we are asking the Public Utility Commission to look into increasing the size of net-metered renewable energy systems that may connect into the electrical grid. Prior to 2004 the size of such systems was limited to 5 KW. In 2004 the size was raised to 50 KW, slightly higher than the energy usage of a typical four-person household.

This proposal would increase the allowable facility size to 500 KW, thereby encouraging commercial structures, hotels, and related private facilities to invest in net-energy metered systems, including photovoltaic or wind, that will allow them to sell back to the electric company excess power they do not need that can be utilized by others.

Protect Consumers Against Artificial Gas Prices and Price Gouging

The gas cap should be repealed because it has resulted in increased prices to consumers, price spikes, and volatility in the supply and availability of gasoline.

- During the first four months of wholesale price controls, it is estimated that Hawai'i consumers have paid \$50.1 million more for gasoline products that they would have if this law were not in place. This is based on a detailed analysis of gasoline price trends in Hawai'i pre and post imposition of the artificial caps.
- The caps caused several stations to temporarily be unable to procure gasoline. These included Priam's Automotive Service and Repairs in Honolulu, the retail station at Dillingham Air Field, and several stations on Kauai. Further, Maui Petroleum placed allotment levels to restrict supply to their customers since they could not be assured of a dependable supply on that island.

The "divorcement" law, which prohibits retailers from selling their business to a petroleum company, has caused some stations to close and made others hesitate to open or purchase gasoline stations. To encourage more stations to remain open and encourage efficient operations, the Administration is proposing the repeal of this law.

- A 2000 U. S. Federal Trade Commission staff analysis found that divorcement laws in Hawai'i and six other jurisdictions raised the price of regular unleaded gasoline by about 2.7 cents per gallon, costing consumers in these jurisdictions an estimated \$100 million annually.

Requiring petroleum companies to report their costs at each stage of the production process will allow consumers to determine if and when unfair prices are being charged by the refineries. This will be coupled with a detailed monitoring program undertaken by the Public Utilities Commission and the Energy Division within the Department of Business and Economic Development. In this way accurate data, analyses, and information can be distributed to allow consumers to make informed decisions. This includes comparing the prices at the pump with the costs of shipping into and distributing gasoline in Hawai'i — known as the import parity price.

The Lingle-Aiona Administration is also proposing legislation to prohibit price gouging of petroleum products during a State declared emergency. Specifically, this bill makes it an unfair and deceptive practice for any petroleum-related business to sell or offer to sell any petroleum product for an amount that represents an unconscionably excessive price during an abnormal market disruption, irrespective of the location of the disruption.

Support Alternative Energy Production

The Department of Land and Natural Resources will undertake a survey of applicable lands, both publicly and privately owned, that might lend themselves to alternative energy production. The Department is seeking a \$200,000 appropriation to conduct the inventory. The Department will examine agricultural lands suitable for biomass and ethanol fuels production, hillsides suitable for wind generation, locations appropriate for solar arrays, coastal areas for wave machines, and streams suitable for hydro generation. The inventory will be used to develop sub-zones where permitting can be facilitated and given priority.

"Fuels through Farming"

It is possible to manufacture gasoline from crops, and sugarcane is one of the best crops to use. The Department of Agriculture will promote the development of farms that help grow plants suitable for conversion to fuel through its Marketing and Land Division. This will benefit farmers, as well as encourage the preservation of open space in Hawai'i. Locally grown fuel crops will help Hawai'i achieve the 10% ethanol blending requirement that takes effect in April 2006, reducing our need to import ethanol.

Coupled with the fuels through farming initiative, the Lingle-Aiona Administration proposes establishing a new highway fuels standard of 20% by 2020. By that date, 20% of all of the highway fuel will need to come from renewable feedstocks. These include biodiesel and ethanol. The Federal Energy Bill of 2005 sets a renewable fuel standard for the nation of 7.5 billion gallons by 2012. Federal incentives provided in that legislation will aid in meeting the proposed Hawai'i standard.

The Lingle-Aiona Administration's proposals include amending the State Energy Tax Credit Law to:

- remove the sunset date of January 1, 2008 for the renewable energy tax credits;
- increase the dollar cap from \$1,750 to \$10,000 for single-family residential taxpayers who purchase and place into service photovoltaic systems;
- increase the dollar cap from \$350 per unit to \$1000 per unit for solar water heating or photovoltaic systems in multi-unit residential buildings;
- increase the dollar cap from \$250,000 to \$500,000 for commercial taxpayers who purchase and place into service a solar, thermal, or photovoltaic energy system.

The estimated additional fiscal impact is \$3.5 million per year.

Finally, the Lingle-Aiona Administration proposes to position Hawai'i as the national and world leader in hydrogen fuel development and deployment. The U.S. Department of Energy has established a \$3 billion program for hydrogen research and development.

The State will pledge \$10 million to serve as matching funds for federal monies and as seed money to attract private capital investment in this field. Already internationally recognized firms such as General Electric have expressed positive interest in setting up hydrogen development facilities in Hawai'i.